VICTORIA UNIVERSITY
IN THE UNIVERSITY OF TORONTO

Self-Funded Leave - Salary Deferral Plan

Self-Funded Leave is a program that gives eligible employees an opportunity to take an unpaid leave of absence which could range from 3 months to one year. The purpose of the plan is to fund a leave of absence. It is not intended to help fund a retirement or other permanent separation from the University. Upon completing the leave of absence the employee must return to the University for a period equal to or greater than the duration of the leave. Leaves must be taken at the end of the deferral period. The employee may not, for example, take a leave in year two and then repay the university back over the next three years.

To fund the leave, a portion of the annual salary would be deposited into an interest-bearing account for a specified period of time (the 'deferral period'). At the end of the deferral period the employee would go on leave of absence and be paid with the money in the account.

The plan is solely a means to fund a leave of absence. The provisions of the plan do not alter existing policies set out in the University and its bargaining units.

This information package is intended to introduce you to the University's Self-Funded Leave Plan. The information provided has been designed to cover most aspects of the plan. Eligible staff members who wish to apply to a self-funded leave shall apply in writing to their Department Head with a copy to the Director, Human Resources at Victoria University, at least 6 months prior to the proposed commencement of the date of the salary deferral. The Department Head shall make the decision based on operational requirements of the unit.

If you require further information not found in this package, please consult the relevant employment policies, collective agreement, as well as, directly with the Human Resources Office at Victoria University. The Self-Funded Leave Plan is administered by the HR Office, questions regarding the policy, benefits and Pension should be addressed to the HR Office at Victoria University.

Glossary of Terms	
Deferral Period	The time during which the University will place an agreed-upon percentage of your salary into an interest bearing account
Leave Period	The time during which you are on leave from the University and the University pays you the accumulated funds from the interest-bearing account in equal installments on regular pay dates for the duration of the leave. No interest is paid on the funds once the leave commences.
Full/Regular Salary	Your gross salary that is the salary you earn before any statutory deductions are taken.
Actual Salary	The salary that you actually receive. During the ***deferral*** period, this would be your gross salary minus statutory deductions at the percentage of pay that you choose to have deducted. During the ***leave period*** this would be the accumulated funds in the account minus all required deductions as well as deductions for the benefits you chose to continue.

Eligibility

Any full-time or part-time Professional/Managerial employee, and any full-time category A and B USW employee who has been staff appointed for three years or more is eligible to apply for SFL. Please note that you **<u>may not</u>** take SFL within twelve months of your retirement.

Application

The precise terms and conditions governing the plan are set out in a formal agreement in the Self-Funded Leave Application Form which the employee will be required to sign prior to joining the plan. In the event that the self-funded leave plan, as described in this document or in the formal agreement, conflicts with the Income Tax Act or any other legislation, that legislation **will** take precedence.

After discussing your plans for SFL with your immediate Supervisor, a completed application form must be submitted to your Department Head with a copy to the appropriate HR Office at least six months prior to the intended commencement date of the salary deferral. Final approval will rest with the appropriate Division Head after consultation with the employee and the decision will be based on the operational requirements of the work unit. Denial at either stage shall not be considered a violation of the agreement. However, approval will not be unreasonably denied.

Salary Deferral

The decision on the percentage of salary deferred depends on the income required during the period of salary deferral and the income required during the leave. The maximum time that salary can be deferred is four years; the minimum is one year. The maximum amount of salary that an employee can defer in a taxation year is one-third (33 1/3%) of annual salary and the amount deferred must be equally distributed across the deferral years.

The salary deferred is retained by the University to be deposited into an interest bearing account. The interest rate will be set by the University. The earned interest will be paid to the employee by December 31st each year during the deferral period. During the period of salary deferral, both the actual salary paid and the interest accrued (T5 Form) on the deferred salary are to be treated as employment income under the Income Tax Act and must be reported in the employee's personal income tax return for that year. Government legislated benefits will be deducted in keeping with legislative requirements. The leave must commence at the conclusion of the deferral period.

The employee's normal salary will cease for the duration of the self-funded leave, during which the employee will receive the deferred salary. For example, under this plan, an employee may work full time for three years, but, receive (and pay tax on) only 75% of his/her normal salary. The remaining 25% would be held in an interest bearing account for the employee. In year four, the employee would go on a leave of absence and receive the amounts which had been set aside in the previous three years. (The 75%/25% is an example of how the program works.) There are many options for the deferred amount and length of leave.

The tax advantage to this program is that the employee may earn income in one year but not pay tax on that income until a subsequent year. Also, by receiving 75% of full salary for four years instead of 100% for three years, the employee may possibly end up in a lower tax bracket and pay less on the same total salary.

The employee shall assume responsibility of making himself/herself aware of the implications of the plan related to its effects on pension provisions and income tax. Those wishing to participate in the last five years before retirement should take care to look into the implications of doing so.

Duration of Leave

Where the leave is for the purpose of permitting the full-time attendance of an employee at a designated educational institution, the duration shall not be less than three consecutive months. In any other case, the leave shall not be less than six consecutive months.

The University will hold the employee's position for the duration of the leave and there will be no impact on the employee's years of service. During the leave the employee will not accumulate or be entitled to the following:

- Statutory Holidays
- Vacation
- Sick Leave
- Other leaves such as Presidential Days.

During the leave the individual may not be employed by the University in any capacity even if that employment is casual and unrelated to his/her normal duties.

Return from Leave

On return from leave, an employee shall be assigned to the same position, or an alternative position mutually agreeable to the employee and the University at the same level as that held prior to going on the leave. An employee participating in the plan will not suffer a penalty in compensation or benefits should a delay be caused by the University in returning the employee to their former position or an alternate position after the completion of the leave.

An employee (both PM and USW) participating in the plan shall be eligible upon return from any leave for any automatic increase in salary (i.e., ATB) that would have been received had the leave not been taken. For USW staff the period of leave shall not qualify for salary grid movement.

Withdrawal

Withdrawal from the plan or postponement of the leave for reasons other than termination of employment, death or disability requires the approval of the Division Head in writing prior to the scheduled leave whether the postponement is initiated by the University or the individual. Upon withdrawal, the deferred salary plus current year accrued interest will become payable in a lump sum and treated as such for CPP, EI and Income Tax. Withdrawal from the plan does not prevent the employee from entering a new plan at a later date.

Benefits Coverage

During the Salary Deferral Period:

- The employee will contribute to the Pension Plan based on the regular salary
- Income Tax and the employee and employer portions of the Canada Pension Plans will be based on the reduced salary.
- Employment Insurance contributions will be based on your regular salary.
- Life Insurance and LTD premiums and benefits will be based on your regular salary.
- Dental Insurance, Extended Health Care and Vision Care premiums will be deducted as normal

During the Leave Period:

- The employee is not eligible to maintain pension for the leave period.
- Income Tax and the employee and employer portions of the Canada Pension Plans will be based on the deferred salary.
- Employment Insurance contributions will not be deducted on the deferred salary payments as the leave is not a period of employment for Employment Insurance. This may hinder your eligibility for EI benefits.
- Life Insurance and LTD premiums and benefits will be based on your regular salary. The employee may choose to maintain any optional life insurance and the employee will be required to spay both the employee and employer premiums. Basic Life Insurance coverage (1x regular salary) will be maintained, paid by the employer and will be a taxable benefit. LTD coverage is required to be maintained during the leave period. The employee will be required to pay both the employee and employer premiums for LTD and for Optional Life insurance.
- Dental Insurance, Extended Health Care and Vision Care premiums will be deducted. The employee will be required to pay both the employee and employer premiums. Employees have the option of opting out of these benefit plans during the leave period.
- No paid sick leave - sick leave will commence on the employee's return to work date.

The University intends to maintain the Plan in force indefinitely, but, reserves the right to amend, or discontinue the plan in whole or in any part, at any time or times. However, no amendment to the plan initiated by the University shall operate to reduce the benefits accruing to employees who are enrolled in the plan at the time of amendment.

HOW IT WORKS

	Deferral Period	Leave Period
Income Tax	Deductions are taken based on your actual salary.	Deductions are taken based on your actual salary.
Canada Pension Plan	Deductions are taken based on your actual salary.	Deductions are taken based on your actual salary.
Employment Insurance	Deductions are taken based on your regular salary.	No deductions are taken. This may affect your eligibility to receive El benefits.
Worker's Safety Insurance	You are fully covered.	You are not covered.
Dental, Health and Vision Plans	Deductions are taken based on the same level as before enrolling in the plan.	You may choose to continue coverage but you must pay both the employee and employer portions of the premiums. You may choose to opt out during the leave period.
Pension Plan	Deductions are taken based on your regular salary.	**Not eligible to maintain.**
Long Term Disability	Deductions are taken based on your regular salary.	Continuing coverage is required. The Employee pays both the employee and employer portions of the premiums.
Group Life Insurance	Deductions are taken based on your regular salary.	Continued coverage is required. Basic Life coverage (1x regular salary) is paid by the employer and will be a taxable benefit. The Employee pays both the employee and employer portions of the premiums for Optional Life coverage.
Maternity Leave	Subject to obtaining the appropriate signed approval you may choose to: a) continue salary deferral and proposed leave plans as arranged, b) to suspend salary deferral and SFL until return from maternity Leave, or c) withdraw from the SFL plan and receive all contributions and accrued interest as a lump-sum payment less required deductions.	You are not covered by the University's maternity leave policy during the leave period. If you think that you may require maternity leave benefits during your leave, please consult your HR Office as taking SFL may affect your El eligibility and thus, your entitlement to El benefits.
Sick Leave	You are entitled to 15 weeks paid sick leave. SFL deductions continue and you receive your actual salary during the leave.	You are not entitled to sick leave.
Vacation	Your vacation entitlement accumulates and you may take vacation. SFL deductions will continue and you will receive your actual salary during vacation.	You do not accumulate vacation time. However, your seniority continues to accrue and, when you return to work, your vacation entitlement for subsequent years will be based on your employment date with the University including the period of the SFL.

Examples of Salary Deferral Options for an Annual Salary of $30,000.00

Period of Deferral In Years	Salary Deferral Per Year	Annual Salary Payable in Deferral Period	Annual Salary Payable in Leave of 1 Year
1	33 1/3% =	66 2/3% =	33 1/3% = $10
2	33 1/3% =	66 2/3% = $20	66 2/3% =
2	25% = $7 500	75% = $22 500	50% = $15 000
3	25$ = $7,500	75% = $22,500	75% = $22,500
3	20% = $6,000	80% = $24,000	60% = $18,000
4	20% =$6,000	80% = $24,000	80% = $24,000
4	25% = $7,500	75% = $22.500	100% = $30,000
5	20% = $6.000	80% = $24,000	100% = $30,000
5	15% = $4 500	85% = $25,500	75% = $22,500
6	10% =$4,500	90% = $27,000	60% = $18,000
6	15% = $4,500	85% = $25,500	90% = $27,000